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# Weekly Review

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1 March 1974

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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## *China: Confucius No Say*

Chou En-lai recently became the first Chinese official to comment publicly on the anti-Confucius campaign. Chou's remarks, made during a February 24 speech at a banquet for Zambian President Kaunda, should put to rest the frequent press speculation that the Premier is a target of the campaign. Although there has been no official statement on the objectives of the drive, Peking has moved forcefully to deny foreign press reports that Chou is a target, that the campaign will prompt a change in foreign policy, or that it is a new Cultural Revolution.

Criticism of Confucius began last August but did not become a full-fledged campaign until early February. The announcement on February 2 that this campaign was the first order of business was preceded by careful planning, including specific measures to keep the campaign under strict party control. Teng Hsiao-ping, known as a rigid disciplinarian, was added to the Politburo even as the propaganda was touting the virtues of maintaining party discipline. In January, the Central Committee issued a series of directives, including one that set clear limitations on the conduct of the campaign.

The directive is obviously aimed at preventing the kind of turmoil that erupted during the Cultural Revolution. It reportedly prohibits travel around the country to "exchange experiences," a

feature of the Cultural Revolution that resulted in nationwide disorder as unruly youths roamed the country at will. It also bans attacks by name on specific individuals.

The latter stricture has not been well implemented, however, and Peking has felt it necessary to restate its position. On February 20, an authoritative editorial in *People's Daily* warned that the campaign must stay on the "correct course" and must not become "entangled" with "other problems." For several months, young students have been attacking individual teachers for all manner of real or imagined wrong-doings; petty thieves were also being criticized, and at least one factory manager came under attack. Although the accusers all claim that their criticism is consistent with the anti-Confucius drive, it is clear that Peking is trying to put a stop to just such activity.

Although in some instances the campaign has become bogged down in local issues, the provinces for the most part are sticking closely to the official line coming from Peking. The situation is under such control that some Chinese officials have already begun to speculate when the campaign will end. Chinese estimates range from three to six months before Peking calls a halt to the criticism of Confucius. Before that time, it is likely that the real targets will be unveiled.

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## *Latin America: The New Dialogue*

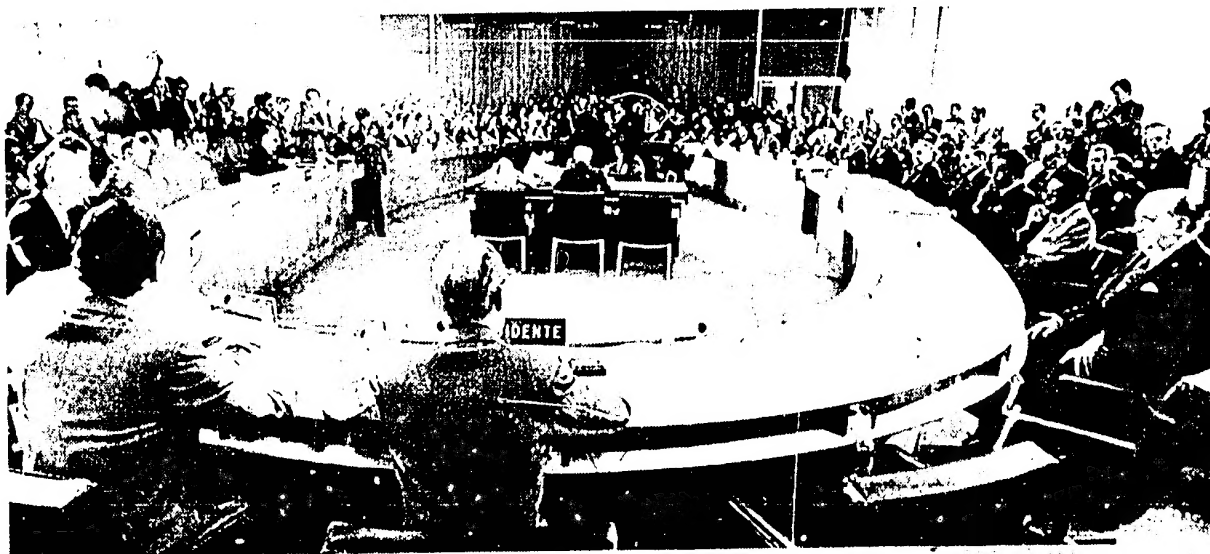
Latin American and Caribbean foreign ministers have returned home from their meeting with Secretary Kissinger in Mexico City last week with mixed feelings about what was accomplished. There has been insufficient time for the participating governments to have reached firm conclusions about the meetings, and early commentaries by the area's public media have typically run the gamut from cynical negativism to proud satisfaction. More measured official reactions will trickle in for weeks to come, but a preliminary reading suggests that most of the 24 Latin and Caribbean governments that attended regard the conference as a promising starting point for a healthy new dialogue with the US. They generally look forward to resuming the dialogue in Atlanta in mid-April just prior to the meeting there of the fourth OAS General Assembly.

Although their comments to date about the meeting's concrete results have been understandably guarded, most of the participants who have spoken up since the meeting have been enthusiastic about its style. They generally have echoed the satisfaction shown by Mexican Foreign Minister Rabasa in his speech closing the conference when he mentioned the feeling that "here, for the first time in a long while, we have met on a plane of absolute equality."

Some of those who attended have also spoken proudly of the fact that the Latins them-

selves were able for the first time in such a meeting with the US to attain and preserve a high degree of unity on the subjects discussed. Latin solidarity was in fact impressive, but it did show strains when issues like Cuba, the revision of the inter-American system, and the wording of the final communique arose for discussion inside and outside the formal sessions. It was only with considerable pulling and hauling that the delegates were able to agree on one Latin spokesman to respond in the name of all to Secretary Kissinger's comments on each agenda item. Some delegates privately bridled at what they regarded as the high-handed way that Mexico, the host government, ran the meetings. Mexico itself appeared very pleased, both with the conduct of the conference itself and with the "Declaration of Tlatelolco" concluding the conference.

The two issues that produced the deepest cleavage between some of the Latin American and Caribbean delegates on the one hand and the US on the other were the US suggestion that a new "hemispheric community" be formed and the Cuban question, which cropped up informally. Some of the area's more nationalistic governments vehemently rejected the "community" idea because they saw it as a possible new vehicle for what they regard as US domination. A few delegates—notably those of Jamaica, Guyana, and Peru—sought to force the group to discuss the exclusion of Cuba from the inter-American system, but they received little support. Neither problem loomed so large as to dominate the



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conference, although Cuban and Soviet press commentary trumpeted both issues and made it appear that way.

Cuba has yet to react directly to the discussions at Tlatelolco. Prensa Latina, the Cuban wire service, sent considerable caustic commentary from Mexico to Havana during the course of the meetings. The main theme of this reportage was perhaps best conveyed in the comment, attributed to a Central American delegate, that the US had "offered us, under new titles, the same old State Department cliches." Tass also played up the same alleged remark and was generally only slightly less critical than the Cuban wire service.

With the Mexico meeting now over, Latin American and Caribbean governments will begin focusing on how best to refine their arguments and seek further US actions in their favor at the April meetings in Atlanta, where most of the issues raised in Mexico will again come up. In the interim, they will speak loudly, mostly for home consumption, about the need for Washington to do more for them. But privately, most will remain guardedly hopeful that the new impetus they see in US - Latin American relations can be nurtured and sustained.

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## International Money

The dollar dropped further against most major currencies in hectic trading during the past week. Daily changes in value sometimes exceeded 2 percent as energy-triggered uncertainties continued to dominate currency markets. Central banks did not intervene substantially to limit daily fluctuations in exchange rates or to halt the dollar's general decline. Since February 1, the dollar has depreciated nearly 4 percent against the mark, 2 percent against the pound, and 4 percent against the yen. The price of gold surged to a new high of \$175 per ounce on February 26, up nearly 50 percent so far this year; it eased slightly on February 28 after some profit-taking.

The dollar's weakness reflects a growing realization that the Europeans and Japanese will be able to finance much of the rise in their oil import bills by borrowing; thus, they will be under less pressure than anticipated to depreciate their currencies or draw on foreign reserves.

Rome is planning to float a new \$1.5-billion foreign loan. It also will be able to draw on a recently negotiated \$1.2-billion standby credit from the International Monetary Fund and to utilize new arrangements for increased short-term currency swaps with the US. In France, some state agencies will apparently follow the lead of the treasury and Electricite de France in seeking foreign capital. The treasury and the electrical agency have already obtained loans totaling \$2 billion. The Danes announced plans for a loan in marks equivalent to \$37 million, and substantial further borrowing by the Scandinavians is likely.

The dramatic rise in the price of gold is attributable mainly to increased speculative demand brought on by uncertainties about the fate of major currencies. Reduced gold sales by South Africa and renewed expectations that the EC will raise its official price for gold sharply have also been factors.

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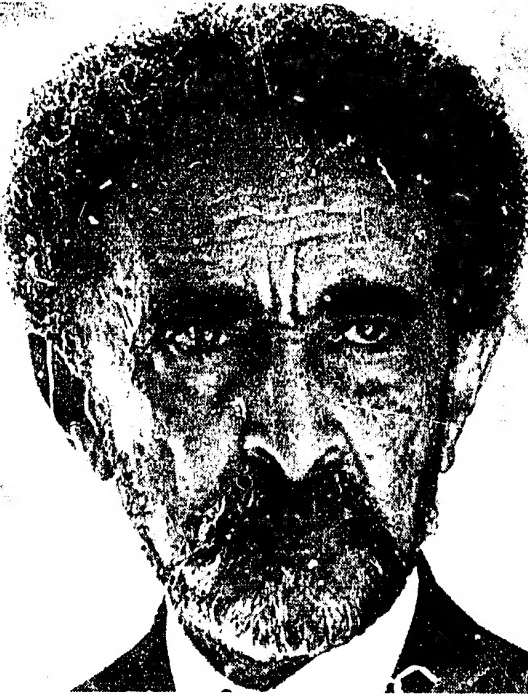
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#### ETHIOPIA: THE TIMES ARE CHANGING

A spreading military revolt has forced Emperor Haile Selassie to appoint a new government and to replace top military commanders. The appointees named so far are likely to be more reform-minded than their discredited predecessors, and their selection represents a determined effort by the Emperor to reach some accommodation with the dissident troops, whose demands are focused mainly on economic issues. The situation, however, will probably remain unsettled for some time. The new government will have to act quickly if it is to restore public confidence. It is not clear how much authority Haile Selassie will grant the new prime minister, Endalkatchew Makonnen, or even if the new appointees will be acceptable to the dissidents. The new cabinet at a minimum will have to make concessions to the troops' economic demands.

The military and civilian unrest of the past few weeks holds political implications that far

exceed the immediate economic issues. Enlisted men and NCOs have been the most visible participants in the revolt, but many junior- and middle-level officers are showing increased political awareness. There is growing evidence that they are in touch with each other and with discontented civilians. These groups are now likely to exert stronger pressure for implementation of long-postponed reforms, and their efforts are likely to call into question the Emperor's virtually unlimited authority. The officers and enlisted men, and probably most of the civilians, remain loyal to Haile Selassie, but they would prefer that the daily administration of the government be placed in the hands of officials chosen more for their competence than for their royal favor and service to Haile Selassie.

Endalkatchew is probably not the strongest choice Haile Selassie could have made, but he is a change for the better. Although considered a conservative in Ethiopian terms, he is considerably younger and probably more politically sensitive than former prime minister Aklilu and is more aware of the need for significant change. Lt. General Abiye, the new defense minister, is a progressive who has urged swifter implementation of reform. Although loyal to Haile Selassie, he has in the past reportedly tried to impress the Emperor with the need to prepare Ethiopia for a less personal form of government.

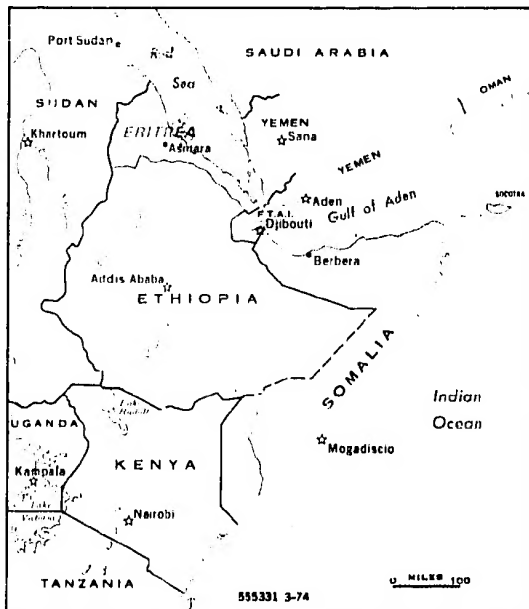
The revolt began on February 26 when army and air force enlisted men and some junior officers in Asmara, Ethiopia's second largest city, went on strike and placed their senior officers under restraint. The situation worsened on February 27 when some elements close to Addis Ababa joined in and the dissident troops in Asmara placed under house arrest most of the senior officers—including the armed forces chief of staff—who had been sent to negotiate with them. On February 28, Fourth Division troops in Addis Ababa for the first time proclaimed their support for the dissidents in Asmara, but continued to assert their loyalty to the Emperor.

The revolt so far has been almost totally free of violence or bloodshed. The US consul in

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Asmara reports that the dissidents are well disciplined and that their leaders appear to be extremely capable.

Dissatisfaction in the military has been growing for some time. In addition to grievances over low pay and benefits, morale has suffered because of poor living conditions and extended periods of duty against insurgents in Eritrea and along the tense Somali border. The enlisted men are also resentful of the privileges and much higher pay of senior officers.

The military revolt followed by a few days violent demonstrations in Addis Ababa by striking students, teachers, and workers protesting the government's inability to deal effectively with sharply rising inflation. Haile Selassie eased the situation by announcing strict enforcement of price controls, a reduction in gasoline prices, and a small increase in military salaries. These measures, however, were too little and too late to halt the discontent, and the revolt continued to spread in the face of the inability of Aklilu's government to cope with the situation.

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## ISLAMIC STATES: THE LAHORE SUMMIT

The official decisions of the Islamic leaders who met in Lahore from February 22-24 were overshadowed by other developments that emerged from the conference. Probably the most important result was the enhancement of the personal standing of Egyptian President Sadat. At least tacit acceptance of his position on the Arab-Israeli dispute was reflected both in the relatively moderate speeches of most delegates and in the lack of the more radical Arab positions in the joint declaration. This development may also benefit Syrian President Asad, who has been attempting to overcome domestic opposition to Damascus' participation in the Geneva peace talks.

The meetings also helped bring about Pakistan's recognition of Bangladesh. Islamabad had

been moving in the direction of recognition for about two years, but the efforts of Sadat and others who wanted Bangladesh, the second most populous Muslim nation, to be represented at Lahore apparently added enough extra pressure on Pakistan to bring a favorable decision.

The official Declaration of Lahore tended to confirm areas of agreement and avoid possible areas of conflict. The declaration included calls for:

- Arab control of Jerusalem;
- Muslim support for Egypt, Syria, Jordan, and the Palestinians in recovering "all their occupied lands by all means";
- confirmed the Palestine Liberation Organization as the sole representative of the Palestinians and called for the restoration of their "full national rights."

The wording of the declaration may have been left intentionally vague and ambiguous in some places. It does not deal explicitly with some important issues, notably whether there should be negotiations with Israel.

Economic differences among the Islamic states, aggravated by rising oil prices, were only rapped over by a vague conference commitment to help the poorer Muslim nations. Two resolutions calling for concrete action failed to pass. One would have established an Islamic Solidarity Fund, and the other proposed different oil prices for rich and poor nations.

The declaration criticized the support given Israeli by some countries, "particularly the USA." Despite this phrase, included at Syria's insistence, anti-US sentiment was muted in Lahore, and Pakistani Prime Minister Bhutto in his welcoming address spoke favorably of US peace efforts. In addition to Israel, the only other nations specifically mentioned unfavorably were Rhodesia, Portugal, and South Africa. The Muslims agreed to support the Africans against these countries.



Mujib and Bhutto  
Recognized by the host

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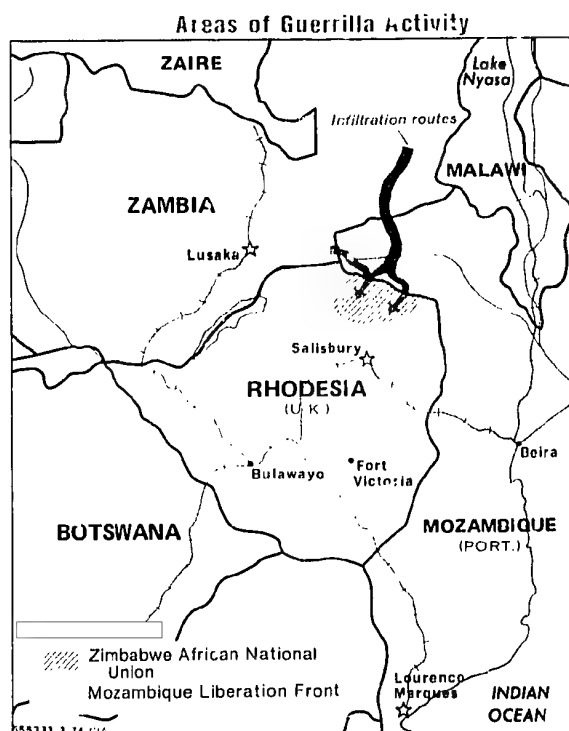
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## RHODESIA: INSURGENCY CONTINUES

The African nationalist insurgency against Prime Minister Smith's white-minority government is now well into its second year. Although the rebels remain confined to the large and sparsely populated northeastern area where they began operating in December 1972, they appear capable of continuing their activities indefinitely.

The small bands of guerrillas of the Zimbabwe African National Union have settled into a typical pattern of small-scale ambushes of security forces and, occasionally, of white civilians, mine-laying, and efforts to propagandize and sometimes terrorize tribal villages. The rebels are well supplied with Communist arms—mostly Chinese—and continue to receive help from their anti-Portuguese counterparts in Mozambique, who assist them to cross into Rhodesia from Zambia and Tanzania.

Smith's government has been unable to halt this infiltration even with the help of some 1,400 South African police who operate against the guerrillas inside Rhodesia and who also relieve Rhodesian forces of routine border patrol. Small mobile Rhodesian units now operate regularly across the Mozambique border, apparently having been given a relatively free hand by the Portuguese. The government claimed last month that 203 rebels had been killed since December 1972;



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The rebels have suffered some setbacks. They have been unable for example, to maintain the high level of terrorist attacks on isolated white farms that they recorded initially; local defense measures against such attacks have proven quite effective. Moreover, support from rural Africans seems to have fallen off despite resentment over the government's forced resettlement program and harsh security legislation. Since last June at least 8,000 local inhabitants have been moved from the frontier zone, and the government claims that some 3,000 of these have resettled voluntarily in "protected villages" built by the government.

The Rhodesian economy, on the whole, has held up well under the added strains imposed by the insurgency. The economy suffers from a manpower shortage, however, and civilian morale has been affected because of the large number of white reservists who have been on almost continual active duty. In early February the government announced measures intended to reduce call-ups of white reservists without cutting back on the counter-insurgency effort. The measures included earlier conscription of white youths, increased incentives for conscripts to re-enlist, and formation of a second black infantry battalion.

Over the long run, other developments may take a heavier toll on the economy and on white

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morale than the insurgency. For example, white immigration declined significantly last year, probably in part because of the guerrilla war. Although the country showed a small net gain of immigrants for 1973, the figure was substantially lower than the 1972 total. Last month, Smith announced a world-wide campaign to attract white settlers.

Developments in neighboring Mozambique could also affect Rhodesia's prospects. Rebels there have become more active in recent weeks and have carried out a number of attacks on the rail line from the port of Beira to Salisbury, one of Rhodesia's vital lifelines.

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#### IRAQ: TRUCE WITH KURDS EXPIRING

The truce that halted fighting four years ago between the central government and Iraqi Kurds led by Mulla Mustafa Barzani is due to expire on March 11. Unless it is extended, an early resumption of hostilities seems likely; the two sides have not agreed on even basic provisions of the autonomous status promised to the Kurds.

Iraq's two million Kurds constitute about 18 percent of its population. In March 1970, the Baghdad government promised to grant autonomy within four years to areas of northeastern Iraq where the Kurds are in a majority. Since then, the Kurdish areas have remained generally quiet except for occasional limited clashes between Barzani's forces and local army units or armed communist groups.

For some time, however, and apparently with some justification, the Kurds have been accusing the government of trying to reduce the area in which Kurds predominate by forcing entire villages to migrate north and east and re-

placing them with Arabs. The government has also furnished arms to communists willing to contest Kurdish control, an effort that appears to have backfired inasmuch as the communists have fared badly in clashes with Barzani's men.

Last December, the government finally offered a sketchy autonomy plan that the Kurds generally view as a device to keep ultimate authority in Baghdad. The Kurds want a larger "autonomous area," greater representation in the central government, and more of the national budget. They are also uneasy about the future of the Kurdish armed forces.

The most important bone of contention is control of the Kirkuk oil fields. The Kurds claim that the entire Kirkuk area is within their rightful area of jurisdiction, but the government strongly contests this claim. A clash between government forces and the Kurds last month resulted from a government attempt to evacuate several Kurdish villages in the area.

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At this time, negotiations between the two sides appear to have broken down and both are preparing for the possibility of hostilities resuming soon. If the Kurds refuse to go along with the government's autonomy plan, as seems probable, Baghdad may try to impose it anyway, hoping to enlist the support of some of Barzani's rivals. In that event, renewed fighting on a large scale would seem certain.

The government believes the current subversion is backed by Libya. Tripoli has made no attempt to hide its hostility to King Hassan since President Qadhafi prematurely gave public support to a coup attempt against Hassan in 1971.

Military officers, from whose ranks came the leaders of two abortive coup attempts within the past three years, remain the chief threat to the King. Following the last attempt in 1972, Hassan assumed direct control of the armed forces, executed those officers who were implicated, isolated potential challengers in the military, and dispersed most of the units upon which a military contender might rely.

While these actions have tightened Hassan's control of the military, many officers are increasingly restive because of their direct subordination to the King and Morocco's lack of modern military equipment. There is no firm evidence, however, of organized opposition within the armed forces.

#### MOROCCO: RESTLESS ON THRONE DAY

An atmosphere of uneasiness prevails with the approach of March 3, the 13th anniversary of King Hassan's accession to the throne. A year ago on the same date, short-lived disorders broke out in central Morocco.

Hassan continues to demonstrate considerable skill in political manipulation as well as a willingness to deal summarily with dissident activity. The concentration of effective power in the palace has increased rather than diminished over the past three years; opposition political parties are as weak and divided as ever. Moreover, the throne has some popular support as a symbol of legitimacy, and the King's narrow escapes from the two coup attempts are seen by many as proof of divine favor.

Security patrols in Rabat and Casablanca have been increased, and numerous road blocks have been set up throughout the country. The local rumor mill and the announcement that a small group of Moroccan dissidents was recently captured after crossing the border from Algeria have also made the public nervous.

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**USSR**

**LAG IN ROCKET ENGINES**

The Soviets are having problems developing liquid hydrogen rocket engines for use on space boosters. Since 1962, the US has been using liquid hydrogen engines in the upper stages of several boosters, including Saturn launch vehicles. The use of liquid hydrogen--a high-energy fuel--would enable the Soviets to place twice the payload in lunar or planetary trajectories with no appreciable increase in the weight of the launch vehicle.

At a recent international meeting of experts in rocket propulsion, the Soviets admitted they were having problems controlling the ignition of liquid hydrogen engines. Even at full thrust, they have encountered excessive vibration. US delegates at the meeting believed that some of the problems might be overcome by using on-board computer controls, but the Soviets probably will stay with their own methods, which do not require a computer on the vehicle.

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## EC-ARAB COOPERATION

The nine EC countries are planning to explore wide-ranging cooperation with the Arab states despite some concern that Washington may view such talks with disapproval. Even those EC states that are cooperating with the US in the activities following the Washington Energy Conference see the new effort as a way to assert an independent role for Europe in relations with the Arabs. They point out that:

- the European moves can complement US policy;
- the practical effect of the Nine's efforts will, in any case, be long term;
- the attempt is necessary to heal the rift with France within the community.

At a meeting in Brussels set for March 4, the foreign ministers of the EC are expected to give final approval to the proposal, first made by France, for cooperation with the Arabs in a variety of fields. As a first step, the West Germans - presently holding the chairmanship of the community bodies - would inform the Arab governments of the interest of the Nine in early continuation of the dialogue initiated when four Arab leaders visited Copenhagen during the summit of EC leaders last December. Foreign Minister Scheel

Nomadic Europeans

would ask the Arabs to designate one or more representatives for future contacts in such fields as industry, agriculture, energy, raw materials, science and technology, financial cooperation, and vocational training. In the next phase, the European and Arab states could establish joint committees to work out the principles and possibilities of cooperation in detail. A conference of Arab and European ministers, which would decide how to implement the cooperative measures, would be convened, perhaps in the autumn of 1974.

The plan for cooperation was worked out earlier this year by a group of Middle East experts from the foreign ministries of the EC states, and was approved by the political directors in early February. The cooperative venture would include matters within the purview of the EC as well as others such as cultural relations that are outside. For this reason, the political committee recommended that the German foreign minister should carry on the negotiations in both his roles as president of the political consultative group and as president of the EC Council.

A number of EC members are pressing for early action, with an eye on the rotational pattern for the EC presidency. The West Germans are in the chair until July, but the French will take over for the following six months.

Paris could thus reap inordinate political benefit from a delay of several months in initiating the negotiations.

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### USSR: GROMYKO'S TRAVELS

Less than two weeks after his visit to Cuba and the US, Soviet Foreign Minister Gromyko was on the road again, trying to keep up the momentum of detente in Europe even though the Middle East situation was still very much on his mind.

During his visit to France from February 15-18, Gromyko did not make much headway with any of the problems that have appeared in Soviet-French relations over the past few months, but he at least kept them from getting worse. Paris has been troubled by what it regards as a Soviet failure to consult adequately during the Middle East war, while Moscow has serious reservations about the interest the French are showing in West European defense cooperation. The Soviets have also been disturbed by France's unwillingness to participate in MBFR, and may feel that this attitude is spreading to other West European countries.

Many of these problems can only be resolved at the summit, if at all. Some progress may be made during President Pompidou's trip to the USSR, which has been under consideration for some time. During Gromyko's stay in Paris, it was

announced that the trip will take place in early March, probably next week. Looking further ahead, the Soviets, who are presumably aware of Pompidou's declining health, will have to consider the policy they will take toward France after his departure from the political scene.

One reason for Gromyko's trip to Rome from February 18-22 besides touching base with the Italians was to see the Pope. The Vatican has recently been displaying a more pragmatic approach toward church-state relations in communist countries. With Moscow's approval, the East European regimes with large Roman Catholic populations have been responding in kind. The Soviets probably believe that in an era of detente, with East-West contacts increasing, it is useful to neutralize a potential source of internal discord in Eastern Europe.

While in Rome, Gromyko touched on the Middle East situation, expressing Moscow's irritation at being pushed from center stage in the negotiations. To reassert the Soviet role, the Foreign Minister embarked on his own tour of Arab capitals, going to Damascus on February 27 and scheduling a visit to Cairo on March 1.

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Gromyko and Jobert

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## EASTERN EUROPE: FOREIGN TRADE BOOM

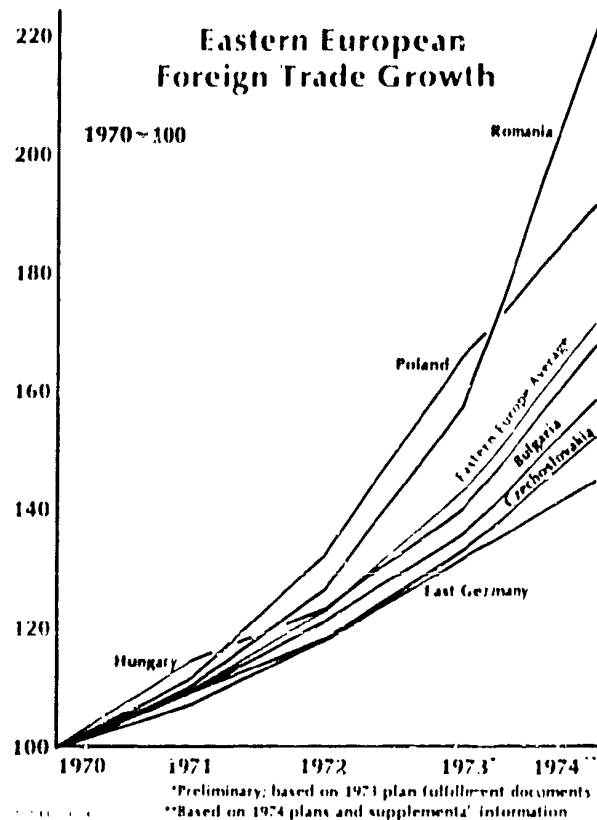
Eastern Europe's foreign trade boomed in 1973, and most of the countries plan even larger growth this year. While Eastern Europe as a whole accumulated a record hard-currency deficit with the West, its trade with the Soviet Union was again in surplus.

Total trade grew some 17 percent last year—double the average annual rate for 1960-72—and a 20-percent increase is planned for 1974. With the exception of Hungary, all the countries ran hard-currency deficits. Total debt to the developed West—almost \$5 billion at the end of 1972—grew substantially. Poland and Czechoslovakia amassed record hard-currency deficits of \$1 billion and \$300 million, respectively. East European imports were paced by large purchases of high-priced agricultural products and raw materials: corn, soybeans, and cattle hides. Western machinery and equipment also remained in high demand, with purchases by Romania and Poland leading the way.

Eastern Europe's large surplus with the Soviet Union last year reflected the USSR's continued heavy purchase of consumer goods. Soviet deliveries of fuels and other raw materials were on schedule. Planned deliveries of these commodities through 1975 should be sufficient to forestall major energy problems in Eastern Europe.

Poland and Romania, the countries with the fastest growing trade with the West, do not plan to cut back on their purchasing this year. Czechoslovakia also is likely to buy more Western machinery. East Germany will probably reduce its trade with the West, while machinery imports by Hungary and Bulgaria will rise moderately. This pattern will probably continue through 1975.

In the next plan period—1976-80—the East Europeans face serious raw-material supply



problem. Soviet deliveries probably will level off in volume but cost substantially more. East European investments in the exploitation of Soviet resources will not begin to pay off until late in the 1970s. The East European countries are likely therefore, to have to plan on reduced rates of economic growth during the 1976-80 period.

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#### **YUGOSLAVIA.: THIRD CONSTITUTION**

Yugoslavia promulgated its third post-war constitution on February 21 with great pomp and circumstance but without President Tito, who was reportedly ill with a "cold." Many of his countrymen will see his absence as another sign that they may soon have to get along without him.

The constitution is important to Tito because it attempts to codify his approach to ruling

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Yugoslavia, and thus to ensure that his political and administrative concept will continue to dominate national life. It also seeks to guarantee the survival of Yugoslavia's unique socialist system after his death. Under preparation for four years, the long and complicated document sets out in detail the future goals of workers' self-management and strengthens the party as the leading political force in the country.

The composition of the collective presidency, the highest level of state power, has been altered. It will now contain 9 instead of 23 members. President Tito will preside over this body during his lifetime but, upon his death, the position of chief of state will rotate among the members on an annual basis.

The Yugoslavs now face the demanding task of implementing the constitution in stages. If Tito remains physically and mentally active, it would greatly facilitate the process and provide for a smoother transition into the post-Tito era. His absence from the promulgating ceremony, however, raises anew the question of how long he can last. Yugoslav officials have told Western journalists only that his current illness is "not serious." It is highly unlikely, however, that a simple cold would have kept him away from such a signal event.

His absence together with his sudden decision to postpone scheduled trips to Hungary and Africa—suggests that at minimum he will require an extensive period of rest. Despite the remarkable recuperative ability Tito has shown in the past, his age—82 in May—is increasingly against him, and each bout of illness can be expected to exact a heavier toll of his physical capacities.

## EAST GERMANY: A FIRMER GRIP

The East German Government's recent decision to shift personnel and make structural changes in the Council of Ministers is an attempt to tighten economic operations. Additional ministerial portfolios have been assigned to several deputy premiers, and the roles of the State Planning Commission and State Contract Court have been enhanced. The court tries to ensure that enterprises adhere to contractual obligations.

East Germany fulfilled its 1973 economic plan, but only because of outstanding results in the first half of the year. The ministerial changes are in part an effort to deal with the slowdown in economic growth during the last half of the year, and in part to implement laws intended to strengthen the control of the Council of Ministers over government operations.

The changes involve those sectors of the economy that have been criticized at recent plenums of the East German party's central committee. Those sectors, including investments, the application of funds to research and development, and the management of supplies and raw materials, are crucial to the fulfillment of the 1974 plan.

Three of the personnel shifts give new responsibilities to deputy premiers who had previously exercised no specific ministerial duties. Another deputy premier lost his post, but remains a member of the Council of Ministers and has been made deputy chairman of the State Planning Commission. The Planning Commission now has three members of ministerial rank, reflecting the government's decision to strengthen it in accordance with a statute passed in August 1973. The statute charges the commission with supervising the execution of economic and social plans as well as development of the plans themselves.

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## USSR: DEBATING DEFENSE ISSUES

The evidence is not conclusive, but articles in the Soviet press in recent weeks indicate that Secretary Schlesinger's statements on the new US targeting doctrine have added to the controversy among Soviet officials over the choices Moscow confronts in the national security area. The outcome of this debate could have a direct effect on the Soviet position in the SALT negotiations.

One point of view, expressed by Yuri Arbatov, head of the USA Institute, in the January issue of the international Communist journal, *Problems of Peace and Socialism*, holds that there is no realistic alternative to negotiated arms restraint since a continuation of the arms race will only result in vast expenditures without adding to the security of either side. According to Arbatov, the "law" that the cost of every new generation of weapons increases geometrically has produced a situation in which defense expenditures are disrupting the normal functioning of a state's economic mechanism.

Arbatov also argues that military force can no longer be used to achieve political objectives. He contends that some US military theorists are trying to find a way out of the strategic impasse through "rules of the game" that would make nuclear war more thinkable by targeting weapons only against the adversary's military installations. This revival of US interest in a counterforce strategy, Arbatov charges, is being used to justify new weapons programs and a bigger defense budget. Arbatov maintains that it is unlikely that new weapons advances will provide either side with any real advantage, but that a destabilizing effect can be produced if either believes that its adversary has obtained some advantage.

A somewhat different perspective on the arms question is contained in an article in *Red Star* on February 14 by Army General Ye. Maltsev, who argues that the change in the US attitude toward the Soviet Union and the prospects for peace are based on the military strength of the USSR. Unlike Arbatov, Maltsev seems to imply that a bigger US defense budget and the new US targeting doctrine is a just reason for an increase

in the Soviet defense potential. Maltsev's reference to the "topical" nature of maintaining reliable Soviet defenses also suggests that the issues he discussed are controversial.

Defense Minister Grechko's statements on February 23, the Soviet Armed Forces Day, also can be interpreted as evidence of a debate in Moscow about future defense allocations. Grechko himself did not seem to come down unequivocally on either side of the debate. At one point, Grechko referred to "further strengthening" of the USSR's defense capability, but this he quickly balanced by asserting that the Soviet Army and Navy "now have everything necessary to rout any aggressor." On the whole, Grechko was not particularly bellicose, and his statements do not provide evidence that he is at odds with Brezhnev on detente.

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## SOUTH VIETNAM

### MORE CHANGES IN SAIGON

President Thieu has ordered the retirement of at least ten generals and a handful of province chiefs, most of whom are army colonels, as part of his current effort to revitalize his government and weed out poor performers. Thieu undoubtedly sees a need to reduce the number of senior officers, and most of those marked for retirement have either been without current assignments, holding lesser positions in the bureaucracy, or serving as ambassadors abroad. Three of those retired had been publicly accused of corruption.

The retirement order is one of a recent series of steps Thieu has taken to crack down on official corruption. The President has declared that the government intends to "cleanse" itself of wrongdoers, and he has authorized a stepped-up media campaign denouncing corruption. Coinciding with the government reorganization last month was the ouster of one cabinet minister and several police officials because of their alleged connections with gambling and prostitution rings. Moreover, Thieu reportedly has laid down the law to at least two of his four military region commanders, telling them that the high incidence of corruption in their areas must be stopped.

"Anti-corruption" campaigns have been announced previously by Saigon, but usually with little lasting effect. Although this latest campaign could meet the same fate, it has been launched with much more fanfare and the appearance of a more genuine effort to get at the root causes.

In addition to reshuffling the cabinet and giving Prime Minister Khiem added responsibility, Thieu is streamlining his own office by eliminating several special assistants' positions. Hoang Duc Nha, Thieu's former private secretary who was just appointed minister of information, has left the presidential office, but Khiem is still concerned over Nha's influence and activities. Although the Prime Minister says the reorganization clearly establishes his primacy, he expects that Nha will continue to have some direct access to Thieu.

### THE ECONOMY FACES PROBLEMS

South Vietnam's economy has been in a severe slump for almost two years, and the outlook is for more of the same in the months to come. Economic problems presently pose the greatest threat to President Thieu's otherwise strong domestic position, and continued deterioration would increase the risk of political instability. Thieu recognizes this threat, and many of his cabinet shifts over the last six months have been attempts to bring in men who are more energetic and action-oriented. Still, no clear-cut economic policies have emerged.

Saigon is leaning toward more direct controls, but possesses only limited financial and administrative tools to deal with short-term problems. With retail prices up 65 percent over last year and an additional 15 percent so far this year, continued declines in real income will almost surely decrease the efficiency of both military units and civilian programs.

Economic problems—as well as potential political difficulties—are presently concentrated in urban areas and among people with fixed incomes. Stagnation in industrial production, rapid inflation, and the sharp reduction in US military spending have all hit urban areas the hardest. Although no data are available, unemployment is clearly on the increase; a recent US Embassy study estimates that unemployment may now be on the order of 1 million people, some 15 percent of the labor force.

Even for those employed, wages generally are failing to keep up with the rising cost of living. This is particularly true of government employees, both civilian and military, who account for more than one fifth of the labor force. Despite a 25-percent pay increase last year, the real wages of government employees are probably at best only two thirds that of a year ago.

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For lower level employees, their regular salary including a series of special allowances as well as commissary and PX privileges will now barely cover a family's expenditures for rice. Moonlighting and the employment of other family members help, but jobs are scarce. In addition to some lay-offs by Vietnamese manufacturers, the US sector which at its peak in 1969 directly employed some 150,000 Vietnamese and probably indirectly provided work for an equal number continues to reduce employment of Vietnamese.

Agriculture remains relatively strong, recovering from a disappointing year in 1972. Real incomes in this sector have probably increased somewhat over the past few years, and there are preliminary indications that a record rice harvest is now coming in. This performance is unlikely to be sustained, however, because fertilizer is scarce and fuels are expensive. Recent increases in rice production have been due almost entirely to greater use of high-yield varieties, more intensive use of chemical fertilizers, and increased mechanization. The retail price of fertilizer more than doubled over the past year, however, and another important input, gasoline, was up more than 200 percent.

Some farmers reportedly are now reverting to subsistence agriculture, with increased use of the traditional but lower yielding varieties of rice. These varieties are hardier and less dependent on the vagaries of weather and on imported inputs. With this shift, farmers will probably still be able to meet their own needs as well as insulate themselves somewhat from external market forces, but private merchants or government representatives may find it more and more difficult to purchase rice in the delta for shipment to Saigon and other rice-deficit provinces. Increases in the prices paid to farmers would eventually lead to greater production, but these prices were nearly doubled last year. Another price increase would add to the burden of low-income urban families or, if the government attempted to subsidize rice sales, put added strains on a government budget already displaying a large deficit.

World prices for the goods purchased abroad by Vietnam rose an average of 25 percent last year. Thus, if Saigon were to continue the same volume of its major imports fertilizer, rice, wheat, petroleum products, its 1974 bill could total well over \$900 million.

Because exports are expected to be only about \$100 million this year, the US Embassy has requested an immediate supplemental aid appropriation of \$250 million. This would be in addition to the \$500 million the US has provided annually over the past few years, which includes surplus agricultural goods sold under PL-480. Saigon's major source of foreign exchange other than foreign aid—US spending in South Vietnam—has dropped sharply from a peak of \$400 million in 1971 to about \$130 million last year.

Aid from countries other than the US, primarily Japan and France, will probably continue to increase, but over the short term the total amount will make only a small dent in Vietnam's aid and import requirements. Total aid from these sources will probably amount to somewhat less than \$100 million this year, about double that provided in 1973.

Thus, given the present levels of anticipated foreign aid for this year, the outlook is for an economic performance similar to that of 1973—low domestic and foreign investment, little or no growth in production, widening income inequalities, growing unemployment, and continued deferral of reconstruction and development. Moreover, each increase in consumer prices, with no concomitant gain in money incomes for the working classes, increases the prospects for public unrest.

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**CAMBODIA: MORE GOVERNMENT GAINS**

The government's military fortunes continued to rise this week as Cambodian Army units won the upper hand over Khmer Communist forces south of Phnom Penh. By mid-week, army troops had retaken almost all of their previous holdings on the south bank of the Prek Thnaot River, forcing the Communists to pull their artillery back out of range of the capital for the first time in a month. Advancing government troops discovered five abandoned howitzer positions as well as significant quantities of ammunition and supplies.

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North west of Phnom Penh, the Communists have taken heavy losses in men and material as a result of a hard drive by government forces. These setbacks apparently disrupted Communist plans to launch a series of coordinated moves against the capital.

Thus far, the only attacks have been carried out along Route 1 some four miles south-east of the city. Army commanders have been able to call in reinforcements from less active fronts, and appeared to have contained this Communist effort late in the week.

Farther afield, government garrison forces have ventured forth from the southern provincial capital of Takeo to score minor tactical victories over understrength insurgent units. Similar successes have been reported in the north around Kompong Cham City.

**Teacher-Student Agitation**

Phnom Penh's secondary school teachers are still out on strike over economic grievances, even though their classrooms have been closed since late last month. They have now been joined by primary school teachers, who have publicly complained that the government had taken their statements of economic hardships in bad faith by accusing them of serving communist aims.

In addition to the teachers' statement, the government was handed a "peace declaration" by the university students' association—whose recent activities have had a leftist tinge. Unlike previous student documents, this one treated both the government and the Khmer Communists

equally urging both sides to seek peace through negotiations. The declaration also stressed problems of social injustice, suggesting that the students may soon shift to exploiting these issues. The relatively mild tone of the declaration indicates that the government has had some success in its efforts to undermine and isolate radical university student leaders.

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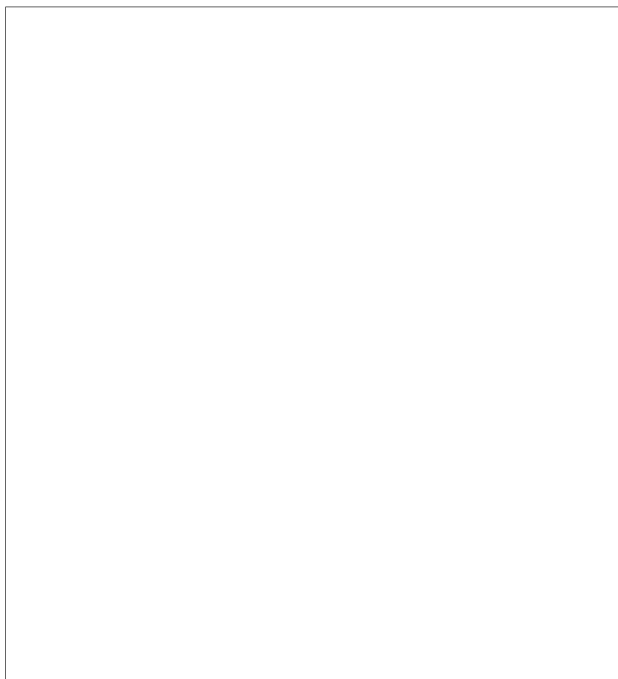
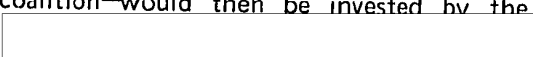
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# LAOS: THE COMMUNISTS' TURN

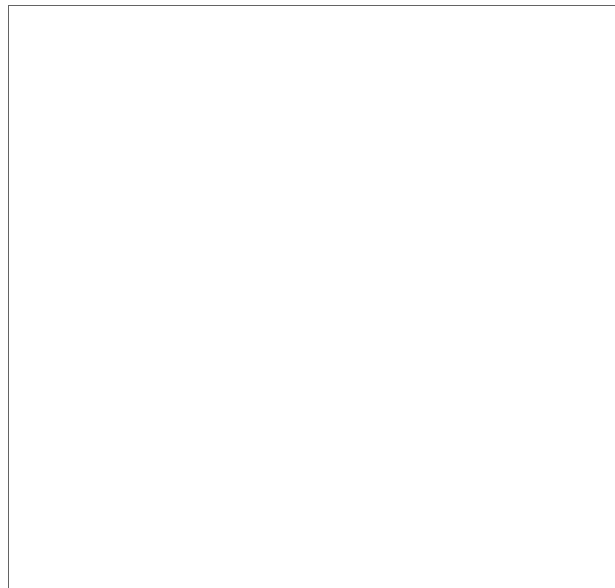
The next moves in the negotiations to form a new coalition government apparently are up to the Lao Communists. Chief Pathet Lao negotiator Phoun Sipraseuth is due to leave Vientiane for Sam Neua soon to report on his political discussions with Prime Minister Souvanna. Phoun gave no definite date when he would return to Vientiane.

Souphanouvong in Luang Prabang to review and approve the nominees for the new government. According to Souvanna, he and Souphanouvong—accompanied by the entire membership of the coalition—would then be invested by the King.

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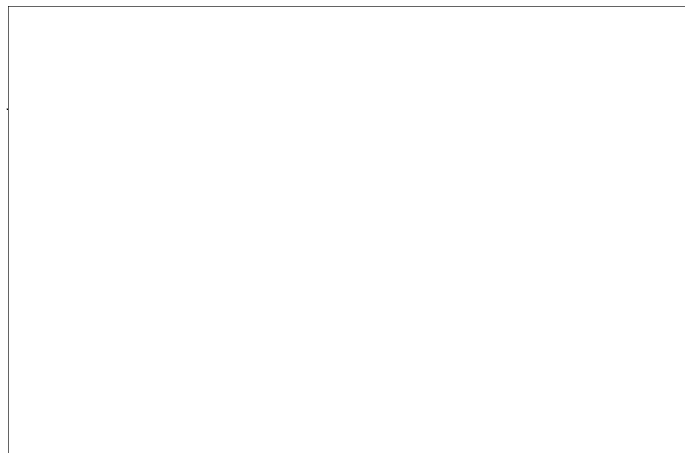


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For his part, Souvanna is still hopeful that the coalition will be formed in the near future. At a press conference late last week marking the first anniversary of the Laos cease-fire agreement, Souvanna stated that he expected senior Pathet Lao official Phoumi Vongvichit to return to Vientiane "very soon" with a definitive list of Communist designees for the new cabinet and its advisory political council.

As the next step in his scenario, Souvanna said he anticipates meeting Lao Communist leader



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**THAILAND: THE STUDENTS, AGAIN**

Bangkok's fractious students never seem to run out of issues to sustain them in trying to continue playing a prominent political role. Last week, three major student organizations staged a large protest rally, charging that government security forces burned a village in the northeast because the inhabitants were suspected of aiding Communist insurgents. The students demanded that the government compensate the villagers and punish those in the military who were responsible for the incident. Although Thai officials have privately admitted that the charges are accurate, the government has not responded formally to the students' "unconditional" demands. It has, however, set up a committee to investigate the affair.

This is the first time that the students have focused on an issue involving the military's interests. If they press their demands, they risk offending a military leadership grown impatient over student agitation.

army and the students. Army sensitivities are running particularly high at this time because of the student demonstrations over the military's alleged involvement in the village burning incident.

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**THE "4TH BURMA RIFLES GOVERNMENT"**

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The installation of a new government in Rangoon on March 2 will complete the process of legitimizing Ne Win's 12-year-old regime as a civilian government. Ne Win assumes the presidency, and the new administration is a thinly disguised continuation of the former one.

Ne Win is likely to maintain power indefinitely—a prospect that offers little promise for the easing of Burma's staggering economic problems. Twelve years of mismanagement have reduced Burma, once the world's leading rice exporter, to the point where it is unable to meet its now modest export commitments. Effective security controls have stifled discontent and prevented coalescence of an opposition.

Ne Win's final step in assuming the presidency was preceded by the proclamation of a socialist republic on January 2—the 26th anniversary of Burmese independence—an act that formalized Burma's homespun socialism. In a December plebiscite, Burmese voters ratified a new socialist constitution by a 95-percent majority amid government surveillance, widespread violation of the secret ballot principle, and fraudulent tabulation of votes by local authorities eager to produce massive affirmative majorities.

Under the new constitution, political activity remains the preserve of the regime's monopoly party, the Burma Socialist Program Party. Candidate lists for the 451-member People's Assembly elected over the past several weeks were drawn up by the party executive committee. Rangoon cynics have dubbed Ne Win's new regime the "4th Burma Rifles Government," from the fact that ten of the seventeen cabinet members were comrades of Ne Win in his old military unit. Although Ne Win and most of his cronies shed their military titles some time ago, they have continued in control as civilians.

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Under present circumstances, the army leaders probably would not use a move against the students as a pretext to oust the civilian government of Prime Minister San Nya. The army seems to view its current role solely as one of preserving order. There is a danger, however, that strong and effective measures to restrict student political activity might lead to a confrontation between the

## CHILE: AT HOME AND ABROAD

The retirement of two senior generals and the maneuvering over the composition of a key governmental advisory group reflect junta President Pinochet's determination to prevent the emergence of potential rivals for power.

Army Chief of Staff Urbina, although posing no threat to Pinochet, was apparently retired because his conduct under the previous regime had earned him the mistrust of his peers. The other retired officer, General Manuel Torres, apparently clashed with the junta president over government policy once too often. Pinochet reportedly has had disagreements with other ambitious generals as well. He apparently feels his position is now firmly enough established for him to deal forcefully with such problems, and further changes in the high command may be in the works.

Chile and its major creditors last week resulted in the rescheduling of all but \$150 million of some \$650 million in payments due this year. The draft agreement calls for payments of 5 percent of the rescheduled debt this year, 5 percent in 1975, 10 percent in 1976, and the remainder over the following seven years. Another meeting will be held in late March to approve the draft.

At the UN this week, Chile was busy defending itself against an impassioned attack by the widow of the late President Allende, and Ambassador Bazan continued his tireless efforts to save Chile's place in the nonaligned group. The latest threat to this position is Santiago's decision—which Bazan is vigorously trying to reverse—to allow a Chilean team to play South Africa in a Davis Cup tennis match.

Chile's major foreign concern continues to be Peru. Lima's purchase of tanks from the USSR and its acceptance of Soviet training personnel are compounding Chile's concern over traditional Peruvian revanchism. Santiago newspapers, in what is probably a government-inspired campaign, have been warning Chileans of an alleged Soviet-Cuban plan to use Peru as the new "bridge for Marxism" in the hemisphere. Chilean officials privately have expressed the fear that Chilean exiles will accompany the Peruvians across the border and attempt to establish a rival government on captured Chilean soil.

Plausible or not, such a scenario is not far-fetched to the Chilean military. Moves aimed at deterring the Peruvians include the reinforcement of ground and air forces in the north, plans for weapons acquisitions, and efforts to attract foreign investment to the border area. The Chileans also are looking for foreign political support. Pinochet plans to attend Brazilian President-elect Geisel's inauguration in March, and reportedly will seek a commitment for Brazilian assistance in countering a Peruvian attack. Pinochet may also attempt some face-to-face fence-mending with

Pinochet and the rest of the government are not concerned exclusively with the mechanics of power, however. In Paris, a meeting between

[REDACTED]

Bolivian President Banzer, who may also be at the Geisel inauguration. Chile might try to mitigate Bolivian revanchism and drive a wedge between Bolivia and Peru by offering La Paz more concessions on access to the sea through Chilean ports that once belonged to Peru. [REDACTED]

[REDACTED]

### ARGENTINA: POLICE REBELLION

The rebellion by police in the provincial capitals of Cordoba and Mendoza may give President Peron the excuse he has been seeking to oust the left-leaning governments of these provinces. Indeed, Peronist officials in Buenos Aires may have instigated the disturbances to justify federal intervention.

Workers and politicians in both provinces, but particularly in Cordoba, are lining up behind left- and right-wing Peronist leaders. According to press reports, leftists in Cordoba are calling on workers to "maintain a state of alert" and to "defend" the governor and his aides, who were seized by the police. Rightists are appealing for public support to depose the "Marxist clique" that is governing the province.

The governors of several provinces have been under heavy fire from conservative government and labor leaders in Buenos Aires since Peron's call for a purge of left-wingers last October. Peron has singled out Cordoba as a center of leftist infection, making it clear that he would like to remove Marxists and Trotskyites from key government and labor posts there. The trade union movement in Cordoba is dominated by radical leftists, many of them well-armed and violently opposed to the Peronist labor bureaucracy in the capital.

There have been conflicting reports concerning Peron's immediate plans for ousting the governors. He recently assured a gathering of provincial



Federal police ready to move

party leaders that he had no intention of intervening in their governments. [REDACTED]

Because Cordoba is such a leftist stronghold, authorities have long expected that the governor and his administration would not go down without a fight. Whether Peron had a hand in creating the crisis or not, it is an opportunity he will find hard to resist. If he decides to intervene with troops, he will have full support from the armed forces, whose leaders are eager to settle old scores with radical leftists there. Some federal police already have been sent to Cordoba, and III Army Corps headquarters there has put its units on full alert. Peron may allow the situation to deteriorate a bit more before moving but, once he does, a violent confrontation is almost inevitable. [REDACTED]

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## GUATEMALA: PRESIDENTIAL ELECTIONS

The governing coalition candidate, General Kjell Laugerud, has the best chance of winning what is expected to be a close presidential election on March 3. Laugerud's campaign managers, led by President Carlos Arana, appear reasonably confident that he will win a plurality or at least come close enough to permit them to rig the results without being too obvious.

Laugerud's chief opponent is General Efraim Rios of the leftist National Opposition Front. The other contender is Colonel Ernesto Paiz of the centrist Revolutionary Party. If, as seems likely, no candidate wins a majority, the election goes to the Congress, which must then elect one of the top two vote-getters. On two occasions in the recent past, Congress picked the front-runner, but this is not mandatory. Should Laugerud come in a close second, there would be considerable pressure on the government-controlled legislature to choose him anyway.

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Rios supporters, if they believed victory was stolen from him by fraud would try to promote protest demonstrations, and an unstable situation could develop. The army, though its top brass is opposed to Rios, gives every indication that it wants no part of a blatantly fraudulent election. A Paiz victory would probably not be opposed by either Laugerud or Rios supporters.

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Recently, in the estimation of the US Embassy, Rios has slipped somewhat, due to internal party squabbling and a weak grass-roots campaign. His best showing will be in Guatemala City, which accounts for 25 percent of the total vote. Rios' hopes were also dampened by Colonel Enrique Peralta's recent decision not to support him openly. Instead, the popular former chief of state freed his followers to make their own decisions. Peralta is said to be privately urging his supporters to vote for Rios, but since they represent a wide range of views they will probably not vote in a bloc for any single candidate. In addition, Rios may be hurt by a last-minute government slur campaign, branding his National Opposition Front as communist and insinuating that the Christian Democrat Party, which is a member of the Front, is under foreign influence.

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Paiz has quietly improved his chances in the last several weeks by campaigning effectively in the interior, where he now appears able to beat Rios, and possibly pass Laugerud. He will still have to make heavy gains in the capital to finish second, however.

Inflation is the only significant issue, and Rios has made some gains exploiting it. Violence is not the explosive issue it was in 1970, although government gunmen have murdered some local opposition politicians.

The Communist Party is urging its members and sympathizers to vote for Rios, but is not publicly assisting the Rios campaign. The party decided several weeks ago not to initiate violence over the next few weeks for fear of giving the government a pretext to cancel the election and to retaliate in kind. Violence could break out after election day, however, especially if Rios wins and is denied his victory.

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**CUBA: RAUL GOES TO EAST EUROPE**

Judging from the usual propaganda releases, Armed Forces Minister Raul Castro accomplished little of a substantive nature during his recent trips to the USSR and Czechoslovakia. In Yugoslavia, however, his eight-day stay marked a high point in the steadily improving relations between Havana and Belgrade.

Upon arrival in Moscow on February 6, Raul was given only a lukewarm reception in spite of the fact that the visit was in "response to an invitation from the CPSU." After a brief acknowledgement of his arrival, the Soviet press carried no details of his visit and ignored his departure for Prague five days later. When he arrived again in Moscow on February 20 in transit from Prague to Belgrade, the Soviet press made no mention of his Czechoslovak sojourn, leaving the impression that he had been in the USSR for the previous two weeks.

The reasons for Raul's trip to Moscow, the low-level reception committee, and perfunctory press treatment are unclear. Although the trip was classified as "unofficial" in both the Cuban and Soviet press, an individual of Raul's rank—he is also party second secretary and first vice prime minister—would seem to call for more attention from his hosts. Moreover, those accompanying Raul also received short shrift. His wife, who is head of the Cuban Women's Federation, Vice Prime Minister Flavio Bravo, Cuba's representative to the sixth meeting of the CEMA Executive Committee, and Vice Minister of Interior Jose Abrantes, got little or no mention.

The signing of the Soviet-Cuban trade protocol for 1974 in January would seem to preclude

economic matters as the subject of Raul's talks with the Soviets, and the visit of Leonid Brezhnev to Cuba just prior to Raul's trip should have obviated the need for further political discussion. It seems most likely, therefore, that Raul was in Moscow to make a pitch for more military assistance. If this is true, the playing down of his visit suggests that Moscow either turned a deaf ear to his request or is determined to deemphasize any new arm shipments.

Czechoslovak treatment of Raul's trip was only slightly better than that of the Soviets. He was given priority attention upon arrival and departure, but his activities while in Czechoslovakia were given sparse coverage. His visit was again characterized as "unofficial" and, according to Havana at least, resulted from an invitation from Czechoslovak Defense Minister Dzur, who had visited Cuba last year.

In contrast, the Yugoslav portion of the trip, described as "official," received broad press coverage in both Havana and Belgrade. Raul traveled widely throughout the country, met with many top leaders, and was given red carpet treatment. Although no specifics were revealed, one of the matters discussed involved "further development of cooperation between the armed forces of the two countries." Until last year, when a gradual warming trend began to develop, Cuban-Yugoslav relations had been cool. Raul's visit, however, indicates that whatever major problems existed between the two countries have been largely overcome and that ties are well on the mend.

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